



General Assembly

January Session, 2015

Raised Bill No. 6772

LCO No. 3520



Referred to Committee on INSURANCE AND REAL ESTATE

Introduced by:
(INS)

AN ACT REQUIRING DISCLOSURES UPON THE PURCHASE OF AN ANNUITY TO FUND PENSION BENEFITS AND EXTENDING CREDITOR PROTECTION TO AMOUNTS PAYABLE TO A PARTICIPANT OF OR BENEFICIARY UNDER SUCH ANNUITY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2015*) (a) As used in this
2 section, (1) "defined benefit plan" has the same meaning as provided in
3 26 USC 414(j), as amended from time to time, (2) "employer" means
4 any person engaged in a business in this state and employing two or
5 more employees, but does not include the state or a municipality or
6 other political subdivision of the state, and (3) "pension plan" has the
7 same meaning as provided in 29 USC 1002(2)(A), as amended from
8 time to time.

9 (b) On and after October 1, 2015, each insurance company that
10 issues an allocated or unallocated group annuity contract to an
11 employer or a pension plan for the purpose of providing retirement
12 benefits to employees or retirees of the employer under a defined
13 benefit plan, which retirement benefits were protected under the

14 Employee Retirement Income Security Act of 1974 or the federal
15 Pension Benefit Guaranty Corporation prior to the effective date of the
16 group annuity contract and which group annuity contract benefits will
17 not be protected under the Employee Retirement Income Security Act
18 of 1974 or the federal Pension Benefit Guaranty Corporation on and
19 after the effective date of the group annuity contract, shall provide the
20 following disclosures in writing to each employee and retiree who is
21 an intended participant of or beneficiary under such annuity contract
22 not later than fifteen days after the effective date of such annuity
23 contract:

24 (1) A statement that amounts payable to a participant of or
25 beneficiary under the group annuity contract are exempt from the
26 claims of all creditors of such participant or beneficiary;

27 (2) A statement that the employee or retiree will no longer have
28 protection under the Employee Retirement Income Security Act of
29 1974 or the federal Pension Benefit Guaranty Corporation; and

30 (3) (A) A statement regarding (i) the existence of the Connecticut
31 Life and Health Insurance Guaranty Association created pursuant to
32 section 38a-863 of the general statutes or any subsequent
33 corresponding guaranty association that provides coverage of annuity
34 contracts to annuitants and beneficiaries residing in this state, and (ii)
35 the coverage that may be provided by the association in the event of
36 the insurance company's financial impairment or insolvency as set
37 forth on the association's Internet web site or in other materials
38 published by the association, and (B) the contact information for the
39 association.

40 (c) Each insurance company required to provide the disclosures set
41 forth in subsection (b) of this section to an employee or a retiree shall
42 provide an annual statement to each such employee or retiree that
43 discloses (1) the funding levels of the insurance company's assets as
44 compared to such company's expected liabilities under the assumed

45 pension benefit schedules, (2) a summary of investment performance
46 by asset class, (3) a detailed description of investment performance by
47 asset class, (4) any expenses associated with the group annuity
48 contract, and (5) any changes in the actuarial assumptions used by the
49 insurance company with respect to the group annuity contract.

50 (d) No insurance company may assume from another insurance
51 company or transfer a group annuity contract issued pursuant to
52 subsection (b) of this section without the prior approval of the
53 Insurance Commissioner that the insurance company assuming the
54 obligations of such annuity contract has adequate financial capacity to
55 fulfill the obligations under such annuity contract.

56 Sec. 2. Subsection (a) of section 52-321a of the general statutes is
57 repealed and the following is substituted in lieu thereof (*Effective*
58 *October 1, 2015*):

59 (a) Except as provided in subsection (b) of this section, any interest
60 in or amounts payable to a participant or beneficiary from (1) any
61 trust, custodial account, annuity or insurance contract established as
62 part of a Keogh plan or a retirement plan established by a corporation
63 which is qualified under Section 401, 403, 404 or 409 of the Internal
64 Revenue Code of 1986, or any subsequent corresponding internal
65 revenue code of the United States, as from time to time amended, (2)
66 any individual retirement account which is qualified under Section 408
67 of said internal revenue code to the extent funded, including income
68 and appreciation, (A) as a roll-over from a qualified retirement plan, as
69 provided in subdivision (1) of this section, pursuant to Section
70 402(a)(5), 403(a) or 408(d)(3) of said internal revenue code or (B) by
71 annual contributions which do not exceed the maximum annual limits
72 set forth in Section 219(b) of said internal revenue code, determined
73 without regard to any reduction or limitation for active participants
74 required by Section 219(g) of said internal revenue code, (3) (A) any
75 simple retirement account established and funded pursuant to Section
76 408(p) of said internal revenue code, (B) any simple plan established

77 and funded pursuant to Section 401(k)(11) of said internal revenue
78 code, (C) any Roth IRA established and funded pursuant to Section
79 408A of said internal revenue code, (D) any education individual
80 retirement account established and funded pursuant to Section 530 of
81 said internal revenue code, (E) any account established pursuant to
82 any qualified tuition program, as defined in Section 529(b) of the
83 Internal Revenue Code, or (F) any simplified employee pension
84 established under Section 408(k) of said internal revenue code to the
85 extent such pension is funded by annual contributions within the
86 limits of Section 408(j) of said internal revenue code or roll-over
87 contributions from a qualified plan, as provided in subdivision (1) of
88 this subsection, pursuant to Section 402(a)(5), 403(a) or 408(d)(3) of said
89 internal revenue code, (4) any medical savings account established
90 under Section 220 of said internal revenue code, to the extent such
91 account is funded by annual deductible contributions or a roll-over
92 from any other medical savings account as provided in Section
93 220(f)(5) of said internal revenue code, [or] (5) any pension plan,
94 annuity or insurance contract or similar arrangement not described in
95 subdivision (1) or (2) of this subsection, established by federal or state
96 statute for federal, state or municipal employees for the primary
97 purpose of providing benefits upon retirement by reason of age, health
98 or length of service, or (6) any allocated or unallocated group annuity
99 contract described in subsection (b) of section 1 of this act, shall be
100 exempt from the claims of all creditors of such participant or
101 beneficiary. Any such trust, account, contract, plan or other
102 arrangement shall be (A) conclusively presumed to be a restriction on
103 the transfer of a beneficial interest of the debtor in a trust that is
104 enforceable under the laws of this state, and (B) considered a trust
105 which has been created by or which has proceeded from a person
106 other than such participant or beneficiary, even if such participant or
107 beneficiary is a self-employed individual, a partner of the entity
108 sponsoring the Keogh plan or a shareholder of the corporation
109 sponsoring the retirement plan.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2015</i>	New section
Sec. 2	<i>October 1, 2015</i>	52-321a(a)

Statement of Purpose:

To require an insurance company to provide certain disclosures to employees and retirees of an employer when such company issues a group annuity contract to provide retirement benefits to such employees and retirees, and to protect amounts payable under such annuity contract from creditors of participants and beneficiaries.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]